

**METROPOLITAN CASUALTY INSURANCE COMPANY
700 QUAKER LANE
WARWICK, RI 02886-6669**

NAIC COMPANY CODE 40169

**MARKET CONDUCT EXAMINATION REPORT
as of December 31, 2002**

**PREPARED BY INDEPENDENT CONTRACTORS FOR THE
COLORADO DEPARTMENT OF REGULATORY AGENCIES
DIVISION OF INSURANCE**

**Metropolitan Casualty Insurance Company
700 Quaker Lane
Warwick, RI 02886-6669**

**MARKET CONDUCT
EXAMINATION REPORT
as of
December 31, 2002**

Prepared by

Wayne C. Stephens, CIE

Kathleen M. Bergan, AIE

Independent Contract Examiners

January 28, 2004

The Honorable Doug Dean
Commissioner of Insurance
State of Colorado
1560 Broadway Suite 850
Denver, Colorado 80202

Commissioner Dean:

In accordance with §§ 10-1-203 and 10-3-1106, C.R.S., an examination of selected underwriting, rating, and claims practices of Metropolitan Casualty Insurance Company's private passenger automobile business, has been conducted. The Company's records were examined at its home office located at 700 Quaker Lane, Warwick, RI 02886-6669.

The examination covered a one-year period from January 1, 2002 to December 31, 2002.

A report of the examination of Metropolitan Casualty Insurance Company is, herewith, respectfully submitted.

Wayne C. Stephens, CIE

Kathleen M. Bergan, AIE

Independent Market Conduct Examiners

**MARKET CONDUCT
EXAMINATION REPORT
OF THE
METROPOLITAN CASUALTY INSURANCE COMPANY**

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COMPANY PROFILE

Metropolitan Casualty Insurance Company (herein after referred to as the Company) was incorporated on October 7, 1981, and commenced business on April 1, 1982. The Company redomiciled from Delaware to Rhode Island on February 10, 1995.

The Company is a wholly owned subsidiary of MetLife, Inc., a holding company formed as a result of the Metropolitan Life Insurance Company demutualization and conversion to a stock insurance company on April 7, 2000.

The Company was licensed to write business in Colorado on October 11, 1983 and is licensed in all jurisdictions except Alaska, California, Hawaii, Massachusetts, Michigan, Nevada, New Hampshire, New Mexico, North Carolina, Vermont, and Wyoming. This is an initial examination of the Company by the Colorado Division of Insurance.

*As of calendar year 2002, the Company had reported premium in Colorado of \$6,790,418 for Private Passenger Automobile, representing a .09% market share in Colorado.

*Data as reported in the Colorado Insurance Industry Statistical report.

PURPOSE AND SCOPE OF EXAMINATION

This market conduct report was prepared by independent examiners contracting with the Colorado Division of Insurance for the purpose of auditing certain business practices of insurers licensed to conduct the business of insurance in the State of Colorado. This procedure is in accordance with Colorado Insurance Law §10-1-204, C.R.S., which empowers the Commissioner to supplement his resources to conduct market conduct examinations. The findings in this report, including all work product developed in the production of this report, are the sole property of the Colorado Division of Insurance.

The purpose of the examination was to determine the Company's compliance with Colorado insurance law and with generally accepted operating principles related to Private Passenger Automobile insurance laws. Examination information contained in this report should serve only these purposes. The conclusions and findings of this examination are public record. The preceding statements are not intended to limit or restrict the distribution of this report.

This examination was governed by, and performed in accordance with, procedures developed by the National Association of Insurance Commissioners and the Colorado Division of Insurance. In reviewing material for this report the examiners relied primarily on records and material maintained by the Company. The examination covered a twelve (12) month period of the Company's operations, from January 1, 2002 to December 31, 2002.

File sampling was based on a review of underwriting and claims files that were randomly selected by using "ACL"™ software and computer data files provided by the company. Sample sizes were chosen based on procedures developed by the National Association of Insurance Commissioners. Upon review of each file any concerns or discrepancies were noted on comment forms and delivered to the Company for review. Once the Company was advised of a finding contained in a comment form, the Company had the opportunity to respond. For each finding the Company was requested to agree, disagree or otherwise justify the Company's noted action. At the conclusion of each sample the Company was provided a summary of the findings for that sample. The examination report is a report by exception. Therefore, much of the material reviewed is not addressed in this written report. Reference to any practices, procedures, or files, which manifested no improprieties, was omitted.

When sampling was involved, a minimum error tolerance level of five percent (5%) was established to determine reportable exceptions. However, if an issue appeared to be systematic, or when due to sampling process it was not feasible to establish an exception percentage, a minimum error tolerance percentage was not utilized. Also, if more than one sample was reviewed in a particular area of examination (e.g. timeliness of claims payment), and if one or more samples yielded an exception rate of five percent (5%) or more, the results of any other samples with exception percentages less than five (5%) were also included.

An error tolerance level of plus or minus ten dollars (\$10.00) was allowed in most cases where monetary values were involved. However, in cases where monetary values were generated by computer or other systemic methodology, a zero (\$0) tolerance level was applied in order to identify possible system errors. Additionally, a zero (\$0) tolerance level was applied in instances where there appeared to be a consistent pattern of deviation from the Company's established policies, procedures, rules and/or guidelines.

The report addresses only Private Passenger Automobile issues and contains information regarding exceptions to the Colorado insurance law. The examination included review of the following:

1. Company Operations and Management
2. Underwriting and Rating
3. Claims Practices

Certain unacceptable or non-complying practices may not have been discovered in the course of this examination. Additionally, findings may not be material to all areas that would serve to assist the Commissioner. Failure to identify or criticize specific Company practices does not constitute acceptance by the Colorado Division of Insurance. Examination findings may result in administrative action by the Division of Insurance.

EXAMINERS' METHODOLOGY

The examiners reviewed the Company's Private Passenger Automobile underwriting and claims practices to determine compliance with the Colorado insurance law as outlined in Exhibit 1.

Exhibit 1

Law	Subject
Section 10-4-602.	Basis for Cancellation.
Section 10-4-603.	Notice.
Section 10-4-604.	Nonrenewal.
Section 10-4-605.	Proof of notice.
Section 10-4-609.	Insurance protection against uninsured motorists-applicability.
Section 10-4-610.	Property damage protection against uninsured motorists.
Section 10-4-611.	Elimination of discounts – damage by uninsured motorist.
Section 10-4-613.	Glass repair and replacement.
Section 10-4-614.	Inflatable restraint systems - replacement - verification of claims.
Section 10-4-706.	Required coverage - complying policies - PIP examination program.
Section 10-4-706.5.	Operator's policy of insurance.
Section 10-4-707.5.	Ridesharing arrangements - benefits payable - required coverage.
Section 10-4-708.	Prompt payment of direct benefits.
Section 10-4-709.	Coordination of benefits.
Section 10-4-710.	Required coverages are minimum.
Section 10-4-711.	Required provision for intrastate and interstate operation.
Section 10-4-713.	No tort recovery for direct benefits.
Section 10-4-714.	Limitation on tort actions.
Section 10-4-715.	No limitation on tort action against non-complying tort-feasors.
Section 10-4-717.	Intercompany arbitration.
Section 10-4-718.	Quarterly premium payments.
Section 10-4-719.	Prohibited reasons for nonrenewal or refusal to write a policy of automobile insurance applicable to this part 7.
Section 10-4-719.5.	Discriminatory standards - premiums - surcharges - proof of financial responsibility requirements.
Section 10-4-719.7.	Refusal to write, changes in, cancellation, or nonrenewal of policies prohibited.

Section 10-4-720.	Cancellation - renewal - reclassification.
Section 10-4-721.	Exclusion of named driver.
Section 10-4-724.	Reduction in rates for drivers aged fifty-five years or older who complete a driver's education course - legislative declaration.
Section 10-4-725.	Certification of policy and notice forms.
Section 10-3-1103.	Unfair methods of competition and unfair or deceptive acts or practices prohibited.
Section 10-3-1104.	Unfair methods of competition and unfair or deceptive acts or practices.
Regulation 1-1-7.	Market Conduct Record Retention.
Regulation 1-1-8	Penalties And Timelines Concerning Division Inquiries And Document Requests
Regulation 5-1-2.	Application and Binder Forms.
Regulation 5-1-10.	Rate and Rule Filing Regulation
Regulation 5-1-16.	Limitations on the Use of Credit Information or Insurance Scoring.
Regulation 5-2-1.	Relative Value Schedule for No Fault.
Regulation 5-2-2.	Renewal of Automobile Insurance Policies – Excluded Named Drivers.
Regulation 5-2-3.	Auto Accident Reparations Act (No Fault) Rules and Regulations.
Regulation 5-2-6.	Automobile No Fault Cost Containment Options.
Regulation 5-2-8.	Timely Payment of Personal Protection Benefits.
Regulation 5-2-9.	Personal Injury Protection Examination Program.
Regulation 6-1-1.	Limiting coverage.
Regulation 6-2-1.	Complaint Record Maintenance.

Company Operations/Management

The examiners reviewed Company management, implementation of quality controls, record retention, installment payment plans, anti-fraud plan, forms certification, and timely cooperation with the examination process.

Producers

The examiners reviewed new business applications written in the State of Colorado for the period under examination and compared those documents against the list of producers provided by the Company. The Company uses Independent Agents licensed to write business through the Company.

Contract Forms and Endorsements

The following Private Passenger Automobile forms and endorsements were reviewed for compliance applicable to the period under examination as filed with the Colorado Division of Insurance on July 15, 2002:

Title	Form Number
Insurance Policy Cover Sheet	MPL 6000-000 (1299)
Auto Insurance Policy	MPL 6010-000 (0900)
Physical Damage-Special Loss Settlement	V550 MPL 6027-000 (1299)
Colorado State Provisions Endorsement	CO700 MPL 6045-005 (1299)
Mexico Coverage	V921 MPL 6047-000 (1299)
Stated Amount Endorsement-Optional/Added Motorcycle	V131 MPL 6034-000 (1299)
Motorcycle Endorsement	V130 MPL 6033-000 (1299)
Named Operator Exclusion Endorsement	V802 MPL 6026-000 (0399)
Motor Home Endorsement	V120 MPL 6031-000 (1299)
Motor Home Contents Coverage	V121 MPL 6032-000 (1299)
Federal Employee Coverage-Government Business	V113 MPL 6049-000 (1299)
Extended Non-Owned Liability Coverage	V210 MPL 6037-000 (1299)
Extended Non-Owned Liability Coverage-Employee	V211 MPL 6038-000 (1299)
Coverage for Sound Equipment-Physical Damage	P852B MPL 7976-000 (1099)
Antique or Classic Automobile-Loss Settlement	V505 MPL 6043-000 (1299)
Rejection of Uninsured Motorists Coverage	V401 MPL 6041-000 (1299)
General Endorsement	V901 MPL 6046-000 (1299)
Colorado Uninsured Property Damage Coverage (UMPD)	CO420 MPL 6042-005 (1299)
Named Operator Exclusion Endorsement	P602 MPL 7759-000 (0682)
Named Operator Exclusion Endorsement	P602B MPL 7759-000 (0396)
Safety Glass Deductible Buyback	V506 MPL 6028-000 (0599)
Lease or Loan Gap Coverage	V507 MPL 6029-000 (0599)
Colorado Work Loss Benefits Rejection Form	MPL 1116-005 (1198)
Consumer Privacy Notice	MPL 1039-000 (0701)(0402)
ID Card	MPL 1066-005 (0899)
Disclosure Summary	MPL 7014-005 (0701)
Summary of Changes	MPL 1718-000 (0600)
Cancellation Notice	MPL 1012-005 (1098)
Non-Pay Cancellation	MPL 1378-078 (0301)(1002)
Colorado Uninsured Motorist Coverage Selection Form	MPL 1179-005 (1299)

Underwriting and Rating

For the period under examination, the examiners randomly selected the following underwriting samples to determine compliance with underwriting practices:

Underwriting Lists	Population	Sample Size	Percentage to Population
New Business	835	50	6%
Nonrenewals	67	50	75%
Cancel-after first 59 days	0	0	0%*
Cancel non-pay	262	50	19%
Surcharges	291	50	17%
Cancel 1 st 59 days	18	18	100%
Rejected Applications	1	1	100%
Renewal	3,926	50	2%

* Company reports no cancellations for cause after first 59 days.

The examiners reviewed the rate, rule filings, statistical justifications, and methodology submitted to Colorado Division of Insurance for the period under examination. This information was then compared against a sample of new business and renewal policies, rated by coverage, to determine compliance with base rates, territory codes, symbols, discounts, and final premium calculations.

Claims

For the period under examination, the examiners randomly selected the following samples to determine compliance of claims handling practices:

Claim Lists	Population	Sample Size	Percentage to Population
Claims Paid	1,215	100	8%
Claims Denied	144	100	69%
PIP paid claims	132	100	76%

EXAMINATION REPORT SUMMARY

The examination resulted in four (4) issues arising from the Company's apparent failure to comply with Colorado insurance laws that govern all property and casualty insurers operating in Colorado. These issues involved the following categories:

Company Operations and Management:

In the area of company operations and management, no compliance issues are addressed in this report.

Underwriting and Rating:

In the area of underwriting, three (3) compliance issues are addressed in this report. Issues arise from Colorado insurance law requirements that must be complied with whenever policies are issued, canceled, rejected, non-renewed, or surcharged. The issues in this phase are identified as follows:

- Failure to provide actuarial justification for Vehicle Protective Enclosure discounts in the Company's PPA rate filings.
- Failure to use a compliant form for PIP/PPO cost containment selection options for PPA policies.
- Failure, in some cases, to offer a named driver exclusion.

It is recommended that the Company review its underwriting and rate practices and procedures and make necessary changes to ensure future compliance with applicable statutes and regulations as it relates to these issues.

Rating:

In the area of Rating, no compliance issues are addressed in this report.

Claim Practices:

In the area of claim practices, one (1) compliance issue is addressed in this report. Issues arise from Colorado insurance law requirements dealing with the fair and equitable settlement of claims, claims handling practices, payment of PIP claim benefits, and the timeliness and accuracy of claim payments. The issue in this phase is identified as follows:

- Delay, in some cases, in the payment of PIP benefits.

It is recommended that the Company review its claim handling practices and procedures and make necessary changes to ensure future compliance with applicable statutes and regulations.

A copy of the Company's response, if applicable, can be obtained by contacting the Company or the Colorado Division of Insurance.

METROPOLITAN CASUALTY INSURANCE COMPANY

PERTINENT FACTUAL FINDINGS

PERTINENT FACTUAL FINDINGS

UNDERWRITING AND RATING

Issue A: Failure to provide actuarial justification for Vehicle Protective Enclosure discounts in the Company's PPA rate filings.

Section 10-4-403, C.R.S., - Standards for rates - competition - procedure - requirement for independent actuarial opinions regarding 1991 legislation, states:

(1) Rates shall not be excessive, inadequate, or unfairly discriminatory. The following rate standards shall apply:

(a) Rates are excessive if they are likely to produce a long run profit that is unreasonably high for the insurance provided or if expenses are unreasonably high in relation to services rendered.

(b) Concerning inadequacy, rates are not inadequate unless clearly insufficient to sustain projected losses and expenses, or the use of such rates, if continued, will tend to create a monopoly in the market.

(c) Concerning unfair discrimination, unfair discrimination exists if, after allowing for practical limitations, price differentials fail to reflect equitably the differences in expected losses and expenses. A rate is not unfairly discriminatory solely if different premiums result for policyholders with like loss exposures but different expenses, or like expenses but different loss exposures, so long as the rate reflects the differences with reasonable accuracy. Additionally, the provisions of section 10-3-1104 (1) (f) shall apply.

(2)(a) In determining whether rates comply with the excessiveness standard, the inadequacy standard, and the unfair discrimination standard, the following criteria shall apply:

(I) Concerning basic factors in rates, due consideration shall be given to past and prospective loss and expense experience, to catastrophe hazards and contingencies, to events or trends, to loadings for leveling premium rates over time or for dividends or savings to be allowed or returned by insurers to their policyholders, members, or subscribers, and to all other relevant factors, including judgment;

(II) Concerning expenses, the expense provisions included in the rates to be used by an insurer shall reflect the operating methods of the insurer and, so far as it is credible, its own actual and anticipated expenses experience;

(III) Concerning profits, the rate shall contain provisions for contingencies and an allowance permitting a reasonable profit. In determining the reasonableness of profit, consideration should be given to all investment income attributable to premiums and the reserves associated with those premiums.

(b) In setting rates, insurers shall consider past and prospective loss experience, and catastrophic hazards, if any, solely within the state of Colorado. However, if there is insufficient experience within Colorado upon which a rate can be based, the insurer may consider experiences within any other state or states which have a similar cost of claim and frequency of claim experience as the state of Colorado; and, if insufficient experience is available, the insurer may use a countrywide

experience. The insurer, in its rate filing or in its records, shall expressly show what rate experience it is using. In considering experience outside the state of Colorado, as much weight as possible shall be given to the Colorado experience.

Section 10-4-404.5, C.R.S., Rating plans-property and casualty type II insurers-rules and regulations states:

The commissioner may promulgate rules and regulations for type II insurers which establish reasonable standards for rating plans, including experience rating plans, schedule rating plans, and expense reduction plans, and which are designed to modify rates in the development of premiums for individuals risks insured in the property and casualty insurance market. Such rules and regulations may permit recognition of expected differences in loss and expense characteristics and shall be designed so that such plans are reasonable and equitable in their application and are not unfairly discriminatory. Such rules and regulations shall not prevent the development of new rating methods which would otherwise comply with this part 4. The rules and regulations may establish maximum charges against and credits to the experience rating of an insured that may result from the application of a rating plan. The rules and regulations may encourage the use of loss control programs, safety programs, and other methods of risk management and may require insurers to maintain documentation of the basis for the charges and credits applied under any plan. The rules and regulations may also require the rating plans to include merit rating to the extent feasible.

In addition, Regulation 5-1-10, Rate and Rule Filing Regulation, promulgated under the authority of 10-1-109, 10-4-401 and 10-4-404, C.R.S. states:

B. RATE AND RULE FILING REQUIREMENTS.

1. Every property and casualty insurer, including workers' compensation and title insurers, are required to file insurance rates, minimum premiums, schedule of rates, rating plans, dividend plans, individual risk modification plans, deductible plans, rating classifications, territories, rating rules, rate manuals and every modification of any of the foregoing which it proposes to use. Such filings must state the proposed effective date thereof, and indicate the character and extent of the coverage contemplated.
2. Insurers may adopt by reference rating and /or advisory organization insurance rates, schedule of rates, prospective loss costs, pure premium rates, rating plans, individual risk modification plans, deductible plans, rating classifications, territories, rating rules, rate manuals and modifications of any of the foregoing. A completed copy of the appropriate filing form prescribe by the Commissioner must accompany the filing.
3. Each rate or rule filing must identify the kind of insurance, Type I or Type II, and must be consistent with the filing procedure defined for that type of insurance. Each filing must be accompanied by a completed copy of the appropriate filing form prescribed by the Commissioner.
4. *Each rate filling must be accompanied by rating data, as specified in 10-4-403, C.R.S., including at a minimum past and prospective loss experience, loss costs or pure premium rates, expense provisions, and reasonable provisions for*

underwriting profits and contingencies, considering investment income from unearned premium reserves, reserves from incurred losses, and reserves from incurred but not reported losses. [Emphasis added.]

5. The expense provisions included in the rates to be used by an insurer must reflect the operating methods of the insurer and its anticipated expenses.

In the course of reviewing rate filings and manually rating PPA policies using factors and other calculation variables to those filed with the Colorado Division of Insurance, it was noted that the Company utilizes three discount factors ranging from 5-20% based upon garage location. However, none of the filings included an actuarial justification as it relates to loss ratios per territory for these discounts. Therefore, it appears that the company used a rate that was not actuarially justified during the scope of the period under examination.

Recommendation Number 1

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Section(s) 10-4-403 and 10-4-404.5, C.R.S. and Regulation 5-1-10. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating that the Company has amended its procedures to ensure compliance with Colorado insurance law.

Issue B: Failure to use a compliant form for PIP/PPO cost containment selection options for PPA policies.

Colorado Amended Regulation 5-2-6 (Amended 12/1/00) Auto No-Fault Cost Containment Options promulgated under the authority of Section 10-1-109 and 10-4-706, C.R.S. states in part:

5. Insurers must provide disclosure as required under §10-4-706(2)(a)(II) and (f), C.R.S. and *use a form which discloses information about the options and which, when completed, contains the insured's signature.* [Emphasis added.]
6. *The disclosure form must contain the following information* [emphasis added] and subparagraphs b., e., and f. must be in type of at least twelve point size:
 - a. That automobile insurance policies in Colorado may include optional managed care arrangements, including, but not limited to, HMO's and PPO's and an explanation of what managed care is and how it affects the consumer;
 - b. That obtaining or renewing the insurance policy is not dependent upon accepting a managed care option;
 - c. Whether the insurer offers such cost containment options, *together with a means for the applicant to indicate the option selected;* [emphasis added]
 - d. A reasonable explanation of the applicable limitations, presented in easy understandable terms, including any applicable penalties realized if an injured party utilizes non-network providers when an HMO or PPO is selected;
 - e. That a policy containing a managed care option may be accepted or rejected by the named insured at any time upon notice, to the insurer or its producer, except that such change shall not affect any claim arising out of an accident that occurred prior to the date of such notice;
 - f. *What the approximate cost savings will be if the managed care option is accepted. This should be expressed as a dollar saving of the PIP policy term premium or as a percentage of such premium;* [emphasis added]
 - g. The date of the selection; and
 - h. An area for the applicant's signature.

The Company indicated that it provides the required disclosure regarding cost containment options orally, at the time the applications are taken by its telephone sale representatives. In addition, the Company mails a PPO Election Form to those applicants who select this cost containment option. However, the PIP/PPO cost containment selection form used by the Company did not provide all information required by Colorado law. Specifically, the form did not provide a place for the applicant to confirm that the PPO cost containment option had been selected. Additionally, there was no information provided on the form to indicate the approximate cost savings if the PPO cost containment option was accepted.

Recommendation Number 2

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Colorado Amended Regulation 5-2-6. In the event the Company is unable to provide such documentation, it should be required to provide evidence demonstrating that the Company has amended its form and procedures to ensure compliance with Colorado insurance law.

Issue C: Failure, in some cases, to offer a named driver exclusion.

Section 10-4-721, C.R.S., Exclusion of named driver, states, in part:

(1) In any case where an insurer is authorized under this part 7 to cancel or refuse to renew or increase the premiums on an automobile liability insurance policy under which more than one person is insured because of the claim experience or driving record of one or more but less than all of the persons insured under the policy, the insurer shall in lieu of cancellation, nonrenewal, or premium increase offer to continue or renew the insurance but to exclude from coverage, by name, the person whose claim experience or driving record would have justified the cancellation or nonrenewal. The premiums charged on any such policy excluding a named driver shall not reflect the claims, experience, or driving record of the excluded named driver.

In the review of policies non-renewed, it was noted that the Company did not offer a named driver exclusion in five (5) instances.

The following chart illustrates the significance of error versus the population and sample examined:

Private Passenger Automobile Non Renewal

Population	Sample Size	Number of Exceptions	Percentage to Sample
67	50	5	10%

An examination of fifty (50) policies non renewed, representing 75% of those policies non-renewed by the Company during the examination period, showed five (5) exceptions (or 10% of the sample) wherein the Company failed to offer a named driver exclusion as required by the Colorado insurance law.

Recommendation Number 3:

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Section 10-4-721, C.R.S. In the event the Company is unable to provide such documentation, it should be required to provide evidence to the Division of Insurance that it has implemented necessary changes in order to ensure compliance with Colorado insurance law.

PERTINENT FACTUAL FINDINGS

CLAIMS

Issue D: Delay, in some cases, in the payment of PIP benefits.

Section 10-4-708 C.R.S., Prompt payment of direct benefits, provides, in part:

(1) Payment of benefits under the coverages enumerated in section 10-4-706(1)(b) to (1)(e) or alternatively, as applicable, section 10-4-706(2) or (3) shall be made on a monthly basis. Benefits for any period are overdue if not paid within thirty days after the insurer receives reasonable proof of the fact and amount of expenses incurred during that period; except that an insurer may accumulate claims for periods not exceeding one month, and benefits are not overdue if paid within fifteen days after the period of accumulation.

Additionally, Amended Regulation 5-2-8 [Amended and effective September 1, 2000], Timely Payment of Personal Injury Protection Benefits, jointly promulgated by the Commissioner of Insurance and the Executive Director of the Department of Revenue pursuant to §§10-1-109, 10-4-704, 10-4-708(1.3), and 10-3-1110(1), C.R.S. states:

Section 3. Rule

B. Prompt Payment of PIP Benefits

Section 10-4-708(1), C.R.S. provides that benefits under the coverages enumerated in §10-4-706, C.R.S. are overdue if not paid within 30 days after the insurer receives reasonable proof of the fact and amount of the expenses incurred.

The following chart illustrates the significance of error versus the population and sample examined:

Private Passenger Auto PIP Claims Paid

Population	Sample Size	Number of Exceptions	Percentage to Sample
132	100	24	24%

An examination of 100 PIP claim files, representing 76% of all PIP claim files paid by the Company during the examination period, showed twenty four (24) exceptions (24% of the sample) wherein the Company failed to pay at least one PIP medical bill in each file within the statutory standard as required by Colorado insurance law.

Recommendation Number 4:

Within 30 days, the Company should provide documentation demonstrating why it should not be considered in violation of Section 10-4-708, C.R.S. and Colorado Amended Regulation 5-2-8. In the event the Company is unable to provide such documentation, it should be required to provide evidence to the Division of Insurance that it has reviewed its claims handling of PIP benefit payments and implemented necessary procedural changes in order to ensure compliance with the Colorado insurance law.

Summary of Recommendations

<u>ISSUE</u>	<u>RECOMMENDATION NUMBER</u>	<u>PAGE NUMBER</u>
Underwriting		
• Failure to provide actuarial justification for Vehicle Protective Enclosure discounts in the Company's PPA rate filings.	1	17
• Failure to use a compliant form for PIP/PPO cost containment selection options for PPA policies.	2	19
• Failure, in some cases, to offer a named driver exclusion.	3	20
Claims		
• Delay, in some cases, in the payment of PIP benefits	4	22

Independent Market Conduct Examiners

Wayne C. Stephens, CIE

Kathleen M. Bergan, AIE

Participated in this examination and in the preparation of this report